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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 001238

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SUBJECT: PM BRAZAUSKAS RIDING OUT POLITICAL TURBULENCE

REF: VILNIUS 1198

Classified By: Gregory L. Bernstein for reasons 1.4(b) and (d)

SUMMARY

1. (SBU) Lithuania's Prime Minister Algirdas Brazauskas quashed a parliamentary inquiry and continues to hold the ruling coalition together amidst investigations into his wife's business dealings. While two law enforcement institutions have launched investigations at President Adamkus's request, the Prime Minister has not stepped down, and no one is calling for impeachment or new elections. Some speculate that fatigue and stress may drive the PM from office soon, but the unlikelihood that legal investigations will produce evidence of a crime and a common fear among the President and many in the Parliament of ceding the premiership to the Labor Party will keep Brazauskas secure for now. In the meantime, the opposition is pleased to have knocked back the coalition, and make it more difficult to sell the Mazeikiu Nafta oil refinery to Lukoil. END
SUMMARY.

The PM Weathers the Storm

2. (U) Prime Minister Brazauskas mustered sufficient votes in parliament to kill the commission set to investigate his wife's purchase at deeply discounted prices of shares in Vilnius's Crown Plaza hotel from a Lukoil-linked investment company (reftel). In a November 10 vote of 55-42, with 24 abstaining, the Parliament dismissed the ad hoc investigatory commission. The opposition Conservative Party will ask the Constitutional Court to resolve whether a Parliamentary majority can override ethics rules that direct the establishment of an ethics committee investigation on the basis of a petition of more than one-fourth of the members. The Court's ruling will not reopen or reverse the Parliament's decision on the current petition. Nonetheless, should the Court rule that a petition with sufficient signatures automatically establishes a commission, it would pave the way for the Conservatives to circulate another petition and begin the process anew.

The President Weighs In

3. (C) Responding to mounting pressure for him to weigh in, President Valdas Adamkus delivered a speech to the public November 17, citing a need to restore "political stability." Adamkus commented that the matter of Kristina Brazauskas's purchase of the now-Crowne Plaza Hotel falls more appropriately under the purview of law enforcement agencies than the national legislature, specifically the State Property (Privatization) Fund and the State Auditor. The President's remarks have drawn criticism from some local commentators. The editor of Lithuania's leading daily newspaper sharply criticized Adamkus for entering the fray rather than letting the political process play out.

Worse for Wear

4. (U) The episode has tarnished the PM's reputation and credibility, compelling him to fight for his political life. His ratings in public polls have dropped dramatically. In some public appearances, the PM's plainspoken amiability has given way to irritability. During a televised address to the Lithuanian public November 22, however, Brazauskas was back in form, avuncular delivery and all. In his remarks, directed to the Lithuanian man and woman on the street, the PM highlighted the successes of his government; promised further improvements in living standards under his leadership; and vowed to remain in office.

5. (C) Other observers are less sanguine about his prospects. Noting the strongman's apparent fatigue, some politicians and journalists speculate that Brazauskas will not finish out the three years remaining in his term. Labor Party leader

Viktor Uspaskich forecast publicly November 22 that the PM will soon step down, giving Labor the opportunity to form a new coalition. Coalition MP Vaclov Stankevic (Social Liberal) told us that he expects Brazauskas to resign "in days or weeks," or "as soon as the budget is passed." Others, including Vladimir Orechov (Labor Party) and Birute Vesaite (Social Democrat), said that Brazauskas's health will be a deciding factor in his tenure. According to this view, it is possible he will serve out his term (until 2008) if his health holds up and he is able to outlast his critics. Orechov theorized that Brazauskas may persevere until the sale of the Mazeikiu Nafta refinery concludes sometime in 2006.

Coalition Dynamics

16. (C) The lack of an obvious successor within the PM's Social Democratic party also drives coalition partners to hope Brazauskas will stay put. SocLib MP Alvydas Sadeckas told us that the coalition agreement ends the day that Brazauskas leaves office. Sadeckas said that Brazauskas's personal leadership (along with the concession of some key ministries to Labor) was sufficient to persuade the Labor Party to cede the PM's office to the SocDems in 2004, despite the fact that Labor controlled nearly twice as many seats. Without Brazauskas, Sadeckas said, an emboldened Labor would negotiate with a strong hand and would take the premiership and perhaps other ministries. Uspaskich promised that Labor would "work with the devil, if it benefits the state," implying Labor's determination to lead new coalition, including some elements of the current opposition.

17. (C) A deal giving Labor more power may already be in play as a result of the PM's problems. MP Orechov told us that Uspaskich has negotiated within the Government for more Labor involvement in the disposition of the Mazeikiu Nafta oil refinery sale in return for his support of Brazauskas. Labor's popularity has been on the rise again recently, and it now enjoys more than twice the support of any other party.

Comment

18. (C) Brazauskas's poor handling of what at least superficially seem to be legitimate questions about a conflict of interest between his wife's business dealings and Lithuanian state interests has seriously tarnished his reputation. But ever the fighter, he has skillfully played on widespread fears (including those of President Adamkus) of putting the premiership in the untested and unpredictable hands of the populist Labor Party. Given poorly developed conflict of interest legislation in Lithuania, it is unlikely the law enforcement agencies examining the case will find any evidence of a crime, allowing Brazauskas some time to rebuild his reputation. His televised address, targeted at the average citizen, is a clear indication that Brazauskas is in for the long haul. The Conservative Party can take some pride in achieving one of its objectives -- all the fuss about the Prime Minister's rumored indebtedness to Lukoil will make it much harder for the Lithuanian government to sell the valuable Mazeikiu Nafta oil refinery to the Kremlin-linked business.

KELLY